

12/14/77 [1]

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
note w/ att.	To Hutcheson From Shields (3 pp.) re: Proposed Statement on CIA Personnel Reductions <i>Opened 11/93</i>	12/14/77	A

FILE LOCATION

Carter Presidential Papers- Staff Offices - Office of the Staff Sec, Pres. Hand-writing fFile 12/14/77 BOX 64

RESTRICTION CODES

- (A) Closed by Executive Order 12356 governing access to national security information.
- (B) Closed by statute or by the agency which originated the document.
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THE WHITE HOUSE
WASHINGTON

12/14/77

carolyn--

attachment contains classified information....and due to material/information in item I., suggest that no copies be made, ~~or-as-few-as-possible-~~ IV is equally sensitive....which is very sensitive.

many thanks -- susan

THE WHITE HOUSE
WASHINGTON

4/29/78

TO : Rick Hutcheson

FROM: Carolyn Shields

While working on some of Jody's files this weekend, I found the two enclosures which have notes on them in the President's handwriting. I thought you'd know better what to do with them than I.

Path - 177
file *pec*
Carolyn Shields

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
draft	Proposed press comment for President one page	n.d.	A

FILE LOCATION

CARTER PRESIDENTIAL PAPERS - STAFF OFFICES
Office of Staff Sec. - Pres. Handwriting File

12/14/77 [1]

RESTRICTION CODES

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POINT PAPER FOR PRESIDENT ON PERSONNEL REDUCTIONS IN CIA

Items in I & IV areclassified

- (C) I. Reductions are all in the Directorate of Operations or the Clandestine Service which is our organization for human spy activities.

[REDACTED]

No one in CIA questions that the Clandestine Service is too large.

- II. The cut [REDACTED] will be phased over FY 78 and FY 79. Almost all of the positions reduced will be in the Headquarters. Overseas operational strength remains constant.

All grade levels will be reduced slightly -- higher percentage at the top.

- III. The cut does reflect the fact of reduced emphasis on covert action -- long before Carter Administration. It does not reflect any lessened importance of the clandestine intelligence function. If that had been the intent, the cuts would have been taken overseas.

- (C) IV. [REDACTED]

SANITIZED

E.O. 12356, Sec. 3.4

PER 9/18/92 CIA H. RE MP-ALLC-95
BY [signature] NARS. DATE 1/7/93

THE PRESIDENT'S SCHEDULE

Wednesday - December 14, 1977

7:30 Breakfast with Secretary Harold Brown
(60 min.) and the Joint Chiefs of Staff. (Dr. Zbigniew
Brzezinski) - The Roosevelt Room.

8:30 Dr. Zbigniew Brzezinski - The Oval Office.

9:00 Mr. Frank Moore - The Oval Office.

11:00 Meeting with Group of Black Leaders.
(30 min.) (Ms. Bunny Mitchell) - The Cabinet Room.

12:30 Lunch with Mrs. Rosalynn Carter - The Oval Office.

3:00 Mr. Charles Schultze - The Oval Office.

3:30 Meeting with Administration Women Who
(30 min.) Attended the International Women's Year
Houston Conference. (Ms. Midge Costanza).
The Roosevelt Room.

7:30 Depart South Grounds via Motorcade en route
Mayflower Hotel.

7:40 Drop-By Meeting of the Business Council.

MEMORANDUM

THE PRESIDENT

THE WHITE HOUSE

WASHINGTON

14 December 1977

TO: THE PRESIDENT
FROM: RICK HUTCHESON *R.H.*
SUBJECT: Memos Not Submitted

1. LIPSHUTZ MEMO regarding the GSA/State Department guidelines regarding the acceptance and disposal of foreign gifts received by Federal officials. You asked: "Are these okay?" Lipshutz responds: "I am satisfied with the legality and drafting of the regulations and guidelines." ✓

GSA, State, Eizenstat and Lipshutz are satisfied that the regulations provide an adequate and coordinated government-wide foreign gift policy. Eizenstat says that the notice/comment/clearance processes will delay final implementation of the regulations until Spring of 1978; in the meantime, his staff, GSA and State will make certain that there is substantial compliance with the guidelines. ✓

2. JUANITA KREPS MEMO informing you that she has set up a commission, involving mayors and businessmen, to examine urban problems generally, and structural unemployment specifically. She asked for a meeting, for the purpose of launching the commission. Eizenstat, Watson and Kraft recommend against a meeting at this time, or raising this Commerce Department advisory group to a presidential level. Fran Voorde will respond to Secretary Kreps. ✓

3. BOB LIPSHUTZ sent you a copy of his interview with the London Evening Standard. ✓

THE WHITE HOUSE

WASHINGTON

December 13, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Robert Lipshutz *RL*

SUBJECT: Proposed GSA Regulations and
Department of State Guidelines
implementing amendments to the
Foreign Gifts and Decorations Act

I have reviewed the proposed GSA regulations and the State Department guidelines. The purpose of these rules is to ensure, to the extent possible, a single government-wide policy for the acceptance, and disposal, of foreign gifts received by federal officials.

I am satisfied with the legality and drafting of the regulations and guidelines.

Stu Eizenstat's memorandum of December 2nd adequately describes the purpose of the regulations and guidelines. I will work together with Stu so that we can coordinate the implementation with both GSA and State.

cc: Stu Eizenstat

THE WHITE HOUSE

WASHINGTON

December 2, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT

SUBJECT:

Jay Solomon's memo re:
Foreign Gifts

The regulations agreed to by GSA and the State Department are designed to make certain that there is a single government-wide policy regarding the acceptance and the disposal of foreign gifts. You will recall that Jay Solomon was concerned that the recent amendments to the Foreign Gifts and Decorations Act making each agency responsible for its employees compliance with the Act would lead to a proliferation of uncoordinated rules in this area. State and GSA believe that these regulations deal adequately with Solomon's objections.

Because the notice and comment and clearance processes will prevent final implementation of these regulations until the Spring of 1978, the draft regulations will be issued as temporary regulations. My staff will continue to work with GSA and State to make certain that there is substantial compliance with these guidelines.

THE WHITE HOUSE
WASHINGTON

December 2, 1977

The Vice President
Stu Eizenstat
Jim McIntyre

Unless you have an objection, the attached
will be submitted to the President by
the close of business today.

Rick Hutcheson

RE: AMENDMENT OF THE FOREIGN GIFTS AND
DECORATIONS ACT OF 1966

THE WHITE HOUSE

WASHINGTON

December 2, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*

SUBJECT:

Jay Solomon's memo re:
Foreign Gifts

The regulations agreed to by GSA and the State Department are designed to make certain that there is a single government-wide policy regarding the acceptance and the disposal of foreign gifts. You will recall that Jay Solomon was concerned that the recent amendments to the Foreign Gifts and Decorations Act making each agency responsible for its employees compliance with the Act would lead to a proliferation of uncoordinated rules in this area. State and GSA believe that these regulations deal adequately with Solomon's objections.

Because the notice and comment and clearance processes will prevent final implementation of these regulations until the Spring of 1978, the draft regulations will be issued as temporary regulations. My staff will continue to work with GSA and State to make certain that there is substantial compliance with these guidelines.

*received for
file return
Stu*

THE WHITE HOUSE
WASHINGTON

TO: The President
FROM: Bob Lipschutz

For your information.

Dec. 13, 1977

London "Evening Standard" December 7, 1977.

The quiet American

JEREMY CAMPBELL in Washington

FOR THE first time in many years, circumstances are falling into place which make it possible for Britain to play a much larger and more creative role in international affairs.

That view was put to me this week by one of President Carter's senior advisers, a calm, soft-spoken Georgia lawyer named Robert Lipshutz, who chaired meetings of top staff at the White House and has known Mr Carter for many years.

Mr Lipshutz crystallised a feeling I have met more than once in the Carter White House. On the one hand, Britain is seen as a country on a rising curve of optimism, stability and self-esteem. On the other, the question arises: are we using this new-found strength to make our presence felt in world diplomacy on a broad scale?

"We would have welcomed more involvement from the British in the search for a settlement in the Middle East," Mr Lipshutz said. "But up to now, there has been a reluctance. I do not mean to criticise. We understand the delicate economic questions to be taken into account in British Foreign Policy.

"But Britain has developed a new self-confidence. We worked closely together on Southern Africa. Now we would really welcome more and more free participation in other regions of the world."

In his view the climate could hardly be better for a broad revival of British foreign policy. Jimmy Carter's relationship with Mr Callaghan is impressively direct and close.

"In the middle of a Cabinet meeting the other day the President excused himself and took a telephone call," Mr Lipshutz told me. "He chatted away for several minutes before I realised he was talking to your Prime Minister."

The point Mr Lipshutz and others make is that Jimmy Carter is a very different President, a fact which the world at large may not fully grasp. He is said to have no appetite for star billing, none of that passion for glory which stoked the psychic fires of certain of his predecessors. In his handwritten letters to President Sadat, he did not push or urge. He simply planted the seed of an idea, which shifted all the credit and attention to Sadat, leaving Mr Carter open to charges that he is a mere spectator.

In fact, the White House noted

with approval rather than dismay a column by the Washington Post's political writer, David Broder, on the myth of unlimited Presidential power.

"Lyndon Johnson and Richard Nixon swallowed this intoxicating myth straight, reacting in strange or dangerous ways when opponents failed to fall prostrate at their feet," Broder wrote. "Jimmy Carter, on the other hand makes a point of down-playing the majesty of his office. What is lacking in both approaches to the Presidency is a public understanding that it is in fact but one of many power centres and, at least at this moment of history, it is not the greatest."

The atmosphere of Washington has changed vastly since the days when Dean Rusk, over an evening whisky and soda, sat on the seventh floor of the State Department and querulously reprimanded the British for welching on their obligations to support the United States military effort in South-East Asia. Gone too is the time when Edward Heath's absorbing interest in Europe imposed such strains across the Atlantic that

even the sharing of intelligence secrets—the one bedrock benefit of the Anglo-American alliance—ceased for a while.

No longer does the U.S. administration veer between resentment of the Common Market as a future competitor and mocking impatience at the stumbling progress towards a fully united Europe.

The desire now is to share the glory as well as the burdens of an energetic foreign policy. Mr Sadat and Mr Begin will win Nobel Prizes for peace, not President Carter.

"We have a President who is not looking for power or credit but is simply trying to find solutions," Mr Lipshutz said. "He is quite willing to give credit to someone else: it's a habit of his, and I have known him for a long time."

America, he seemed to be saying, has moved on to a new phase in the exercise of power, where Washington really intends to be more prompter than stage manager. If that throws the actors back on to their own resources and leads them to develop fresh ideas and bolder inventions, so much the better for all concerned.

THE WHITE HOUSE
WASHINGTON

send
From a copy of
SE/JW comment
also ask from to
respond to
/ccps

THE WHITE HOUSE

WASHINGTON

sw will comment
Don't know - self
Don't
Call Fran w/ self
comment
MEMORANDUM

Date: December 6, 1977

FOR ACTION:

Stu Eizenstat
Jack Watson
Tim Kraft *attached*

FOR INFORMATION:

The Vice President
Midge Costanza
Fran Voorde

no way to do this by then
Christmas. Wait until
after 1st of the yr

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Kreps letter dated 12/5/77 re Establishment of a Commission composed of business and government personnel to examine urban problems -- unemployment.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 Noon

DAY: Thursday

DATE: December 8, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

Please note other comments below:

Don't
submit
☐ No comment.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

Date: December 6, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Jack Watson
Tim Kraft

FOR INFORMATION:

The Vice President
Midge Costanza
Fran Voorde

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Kreps letter dated 12/5/77 re Establishment of a Commission composed of business and government personnel to examine urban problems -- unemployment.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 Noon

DAY: Thursday

DATE: December 8, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.☐ No comment.

Please note other comments below:

I would strongly discourage this initiative being "kicked around" with the President (a waste of his time) until it has more broad-based support. What does Ray Marshall think of it? (Frankly, it seems to me a Labor Dept. task force might be a more appropriate starting point) - Something like this commission should be ~~a part~~ of an overall urban policy meeting, the genesis of which might be a Cabinet discussion.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

discuss
JK

THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

December 5, 1977

"ACTION"

Dear Mr. President:

In October I met with Coy Eklund of Equitable Life, Hal Dean of Ralston Purina, Bill Norris of Control Data, Dick Sellars of Johnson & Johnson, and John Gunther of the U.S. Conference of Mayors to discuss launching new partnerships between business and government to deal with urban problems.

There was general agreement that the overriding problem is urban unemployment and that we need to develop strategies to encourage the private sector to hire and train the unemployed, as well as to assist in business retention and expansion in urban areas. It was also felt that the top priority is to provide longterm, private-sector jobs for unemployed youth and minorities, and that current programs do not meet that need.

Following the meeting, Mayor Coleman Young of Detroit and Coy Eklund agreed to establish a Commission to examine ways of involving business in alleviating the problems of structural unemployment. The Commission will be composed of Mayors, Chief Executive Officers of major corporations, and other members who are knowledgeable about the problems of the inner city.

The Commission will be assisted by the National League of Cities, U. S. Conference of Mayors and the Commerce Department. The cornerstone of its effort will be the creation of private-sector jobs.

The Commission's mandate would extend to:

- (1) Finding ways to prepare the structurally unemployed for successful entrance and participation in private sector employment;
- (2) Finding ways to create more private sector jobs in urban areas for the structurally unemployed;

- (3) Making more productive use of current training and public service employment programs; and
- (4) Assisting in the development of local public/private coalitions to increase the job base in urban areas.

The Commission will not, as have others in the past, undertake a long series of hearings and other fact-finding devices. Rather, it will draw on existing research, tap available information sources, and examine current public/private initiatives to identify successful activities which can be replicated in cities across the country.

Before the names of the Commission members and its mandate are made public, Mayor Young, Coy Eklund and I should like to meet with you to discuss the Commission and your concerns about the needs of our urban areas. My staff is working with yours on arranging such a meeting. In the interim, we are keeping Stuart Eizenstat and Jack Watson informed.

Respectfully,

A handwritten signature in cursive script, appearing to read "Juanita", is written in dark ink.

The President
The White House
Washington, D. C. 20500

THE WHITE HOUSE

WASHINGTON

December 12, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Stuart Eizenstat *Stu*
Jack Watson *Jack*

SUBJECT: SECRETARY KREPS' LETTER REGARDING ESTABLISHMENT
OF A COMMISSION TO EXAMINE URBAN PROBLEMS
GENERALLY AND STRUCTURAL UNEMPLOYMENT SPECIFICALLY

Although we certainly agree with and want to encourage collaboration between government officials and the private sector, particularly in the area of urban problems and structural unemployment, we do not think it is a good idea for you to officially endorse this particular group. As you know, there is already a White House Committee on HIRE which is dealing with the unemployment problems of Vietnam veterans and others, and we are working with John Portman and other business leaders on a luncheon to be held after the first of the year to talk about private investment in the center cities.

In some respects, the commission suggested by Secretary Kreps is a kind of advisory committee to the Department of Commerce. Needless to say, the problem of structural unemployment critically involves other Cabinet Departments, specifically Labor and HUD, which do not appear to be involved at all in this effort.

For you to meet with Secretary Kreps, Coleman Young and Coy Eklund would raise the commission to a Presidential level. We do not think this would be wise at this time. Since the matter appears to be fairly well along, we recommend that the commission serve simply as an informal advisory body to the Secretary of Commerce. The people Juanita appoints to the commission and its efforts can be folded into any larger initiative in this area that you may decide to undertake later.

Giving this commission Presidential status at this time might interfere with the work of the Domestic Policy Staff on a major private sector youth employment program, using the structure of the National Alliance for Businessmen at the national level and establishing a new relationship between mayors and businessmen at the local level through the CETA system.

THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

December 5, 1977

"ACTION"

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Respectfully,

A handwritten signature in cursive script, appearing to read "Juanita", written in dark ink.

The President
The White House
Washington, D. C. 20500

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

December 13, 1977

*Ham - Sand cc
Fitz Hollings (with
whom I've discussed
our efforts) and to
other key Senators -
J.C.*

MEMORANDUM TO THE PRESIDENT

FROM: HAMILTON JORDAN *H.J.*
FRANK MOORE *F.M.*

RE: Activities on the Panama Canal Treaties

I. POLL RESULTS

Administration efforts to build public support for the Panama Canal Treaties are starting to bear fruit. What follows is a listing of some of the more significant and encouraging developments which have taken place.

1. A poll released only a few days ago indicates that opposition to the Treaties has dropped from 87% in mid-August to 55% in mid-November, a 32% drop. Those favoring the Treaties have climbed to 38% from a low of 13%.

In one month alone there was a shift of 14 percentage points in the differential between pro and con.

	<u>pro</u>	<u>con</u>	
Mid October	28	59	(+31)
Mid November	38	55	(+17)
			<u>14</u>

2. The Gallup poll reported on October 23 that though opposition to the Treaties was 2 to 1 against among those respondents who didn't know the details of the Treaties, the ratio changed dramatically when the respondents knew simple details of the Treaties (48 to 40 against), and shifted in favor of the Treaties by 5 to 4 when respondents had a good understanding of the Treaties.

Electrostatic Copy Made
for Preservation Purposes

3. A Lou Harris-CBS poll in late October revealed that 63% of those polled would favor the Treaties if they felt the Treaties allowed the United States to move militarily to ensure that the Canal was kept open - a provision that obviously already exists, yet which not enough Americans are aware of.
4. Calls to the White House Comment Office have shifted dramatically in favor of the Treaties. In the week of October 7-13, for example, 126 calls were received. 100% were against. Two weeks later, however, 604 calls were received and only 44% were against, while 56% were for. The following week 75% of 433 calls were for. The next week (November 11-17) 73% of 973 calls were for the Treaties. In other words, a favorable trend is clearly established.

II. SUMMARY OF PRESIDENTIAL ACTIVITY

The following is a summary of the meetings you have personally attended urging support of the Panama Canal Treaties:

1. You and top government officials, e.g., Brzezinski, Harold Brown, Linowitz, Joint Chiefs, have personally briefed over 1000 key opinion leaders from 25 states on the Treaties. These White House briefings have had a tremendously positive effect on the participants who return to their states and generate support for the Treaties.
2. You have personally briefed 250 key editors and news directors representing 40 states, as part of a continuing series of exclusive interviews arranged through the Press Office.
3. You and your top advisers personally briefed the heads of 70 national women's organizations with extremely favorable results.
4. You and your top advisers personally briefed the United States Jaycees state and national leaders. Like many other organizations, the Jaycees, with a membership of 350,000, subsequently endorsed the Treaties and are working for their ratification.
5. You hosted a reception at the White House for over 1200 civic leaders from 48 states who came to Washington to organize a national citizens group for the Treaties.
6. You have made personal appeals to a number of

other groups and individuals, such as Heath Larry, President of the National Association of Manufacturers, and the Outdoor Advertisers of America, both of whom endorsed the treaties and will work for their ratification.

7. You and your top advisers have personally briefed 50 senior citizen organizational presidents at the White House with very positive results.
8. You and senior Administration officials personally briefed over 100 key Senate staffers at the White House earlier this month. The briefing was exceptionally well received.

III. OTHER WHITE HOUSE ACTIVITIES

The following is a summary of other activities in support of the Treaties conducted by the Vice President and your senior aides.

1. The Vice President has been involved personally, giving briefings to groups here in the White House, e.g., 45 national presidents of Hispanic organizations, and speaking on behalf of the Treaties throughout his travels across the country.
2. Top Administration officials have given briefings to a large number of key organizations such as:

Council of the Americas
U.S. Chamber of Commerce
National Association of Manufacturers
Business Roundtable
Young Presidents organization
American Society of Association Executives
Council of Small and Independent Business
Associations
American Jewish Committee
American Jewish Congress
National Union of Hebrew Congregations
U.S. Conference of Black Mayors
National Black Caucus of State
Legislatures
NAACP
National Council of Churches
League of United Latin American citizens
National Council of La Raza
American GI Forum
News Directors

American Association of Latin American
Chambers of Commerce

3. The White House Press Office has sent out several mailings of materials and newsworthy items to over 4000 dailies, weeklies, news broadcasters and columnists.

IV. STATE DEPARTMENT ACTIVITIES

The State Department's speakers bureau has an exceedingly effective public education program under way. To date, it's trained and well-prepared speakers have delivered over 300 speeches in 40 states.

During the week of December 3-9, the Treaties were the topic of 28 speeches and 19 interviews in 18 states (including DC). Ambassador Bunker made a swing through Kentucky, addressing the Louisville Chamber of Commerce and the Lexington Kiwanis. Ambassador Popper spent two days in Alabama and then addressed the International Labor Press Association at the AFL-CIO convention in Los Angeles. Ambassador McGee appeared in Tennessee. Assistant Secretary Todman spoke before the national conference of the Association of Black Elected Officials. Speeches and/or interviews took place in the following states: Arkansas, Delaware, Kentucky, Missouri, Pennsylvania, Tennessee and Texas.

During the week of November 26 to December 2, the Treaties were discussed in 32 speeches and 21 interviews in 16 states, including the following: Arizona, Arkansas, Georgia, Kentucky, Louisiana, Michigan, Nebraska, North Carolina, Tennessee, Texas and West Virginia. Ambassador Linowitz addressed the Georgia Bar Association in Atlanta. Deputy Assistant Secretary Sally Shelton appeared before the Houston Chamber of Commerce. Colonel Jackley spent two days in Nebraska and General Dolvin spoke in North Carolina.

During the week of December 10-16, at least 21 speeches and 6 interviews will take place. Ambassador Bunker will address the annual meeting of the Conference of State Legislators. General Dolvin will visit Arizona and New Mexico. Speeches and/or interviews will take place in the following states: Arizona, Florida, Georgia, New Mexico, Pennsylvania, Texas and West Virginia.

V. COMMITTEE OF AMERICANS FOR THE CANAL TREATIES - COACT

Since its November 18 organizing rally, COACT has prepared a follow-up mailing to the 1200 people who attended the Washington rally.

The Committee is working with Treaty supporters in every target state to encourage the formation of state citizens' committees. Committees have been announced or soon will be in Michigan, Florida, Arizona, New Mexico and Delaware. Efforts are underway in West Virginia, Tennessee, Kentucky, Pennsylvania and Texas.

VI. JOINT CHIEFS ACTIVITIES

The Joint Chiefs have personally participated in each of the briefings held for over 1000 key opinion leaders from 25 states. They have testified before the Congress in support of the Treaties and have responded to numerous Congressional and public queries about specific military aspects of the Treaties. Although they have not made any extensive speaking engagements, they have taken the opportunity to speak in support of the Treaties whenever an appropriate occasion has arisen.

VII. PRESIDENTIAL SPEECH

After careful consideration and consultation with Jody, we do not believe you should go on television concerning the Treaties until after the first of the year. This is our strong recommendation. The Holiday Season is a poor time to address the American people on a subject of this importance and complexity and the impact would be greater, in our opinion, when the Treaties are about to come before the Congress. With the National news media totally preoccupied with the Mideast, the Panama Canal Treaties speech would be a shot in the dark.

THE WHITE HOUSE
WASHINGTON

Ham - ^{a)} Add paragraph
on Defense (JCS)
activity -

b) Add expression of
advice to me to
wait until after Xmas
to arouse public again -

c) Then distribute
cc in my note to
Hollings & others -

J.C.

- 1) last page retyped and substituted - see attached.
- 2) revised version given to Bob Thompson to take to
Senator Hollings and possibly other Senators.

12/14/77

E. Connors

THE WHITE HOUSE
WASHINGTON

Ham - a) Add paragraph
on Defense (JCS)
activity -

b) Add expression of
advice to me to
wait until after Xmas
to arouse public again -

c) Then distribute
cc in my note to
Hollings & others -

J.C.

**THE WHITE HOUSE
WASHINGTON**

December 14, 1977

Hamilton Jordan

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling. Also attached is a copy for Hollings.

Rick Hutcheson

**cc: Frank Moore
The Vice President**

RE: ACTIVITIES ON THE PANAMA CANAL TREATIES

THE WHITE HOUSE
WASHINGTON

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

ACTION
FYI

*send 145 copy for him & for
Hallings*

<input type="checkbox"/>	MONDALE
<input type="checkbox"/>	COSTANZA
<input type="checkbox"/>	EIZENSTAT
<input checked="" type="checkbox"/>	JORDAN
<input type="checkbox"/>	LIPSHUTZ
<input checked="" type="checkbox"/>	MOORE
<input type="checkbox"/>	POWELL
<input type="checkbox"/>	WATSON
<input type="checkbox"/>	McINTYRE
<input type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day	

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	GAMMILL

<input type="checkbox"/>	KRAFT
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PETTIGREW
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

December 13, 1977

*Ham - Send cc
Fritz Hollings (with
whom I've discussed
our efforts) and to
other key Senators -
J.C.*

MEMORANDUM TO THE PRESIDENT

FROM: HAMILTON JORDAN *HJ*
FRANK MOORE *F.M.*

RE: Activities on the Panama Canal Treaties

I. POLL RESULTS

Administration efforts to build public support for the Panama Canal Treaties are starting to bear fruit. What follows is a listing of some of the more significant and encouraging developments which have taken place.

1. A poll released only a few days ago indicates that opposition to the Treaties has dropped from 87% in mid-August to 55% in mid-November, a 32% drop. Those favoring the Treaties have climbed to 38% from a low of 13%.

In one month alone there was a shift of 14 percentage points in the differential between pro and con.

	<u>pro</u>	<u>con</u>	
Mid October	28	59	(+31)
Mid November	38	55	(+17)
			<u>14</u>

2. The Gallup poll reported on October 23 that though opposition to the Treaties was 2 to 1 against among those respondents who didn't know the details of the Treaties, the ratio changed dramatically when the respondents knew simple details of the Treaties (48 to 40 against), and shifted in favor of the Treaties by 5 to 4 when respondents had a good understanding of the Treaties.

3. A Lou Harris-CBS poll in late October revealed that 63% of those polled would favor the Treaties if they felt the Treaties allowed the United States to move militarily to ensure that the Canal was kept open - a provision that obviously already exists, yet which not enough Americans are aware of.
4. Calls to the White House Comment Office have shifted dramatically in favor of the Treaties. In the week of October 7-13, for example, 126 calls were received. 100% were against. Two weeks later, however, 604 calls were received and only 44% were against, while 56% were for. The following week 75% of 433 calls were for. The next week (November 11-17) 73% of 973 calls were for the Treaties. In other words, a favorable trend is clearly established.

II. SUMMARY OF PRESIDENTIAL ACTIVITY

The following is a summary of the meetings you have personally attended urging support of the Panama Canal Treaties:

1. You and top government officials, e.g., Brzezinski, Harold Brown, Linowitz, Joint Chiefs, have personally briefed over 1000 key opinion leaders from 25 states on the Treaties. These White House briefings have had a tremendously positive effect on the participants who return to their states and generate support for the Treaties.
2. You have personally briefed 250 key editors and news directors representing 40 states, as part of a continuing series of exclusive interviews arranged through the Press Office.
3. You and your top advisers personally briefed the heads of 70 national women's organizations with extremely favorable results.
4. You and your top advisers personally briefed the United States Jaycees state and national leaders. Like many other organizations, the Jaycees, with a membership of 350,000, subsequently endorsed the Treaties and are working for their ratification.
5. You hosted a reception at the White House for over 1200 civic leaders from 48 states who came to Washington to organize a national citizens group for the Treaties.
6. You have made personal appeals to a number of

other groups and individuals, such as Heath Larry, President of the National Association of Manufacturers, and the Outdoor Advertisers of America, both of whom endorsed the treaties and will work for their ratification.

7. You and your top advisers have personally briefed 50 senior citizen organizational presidents at the White House with very positive results.
8. You and senior Administration officials personally briefed over 100 key Senate staffers at the White House earlier this month. The briefing was exceptionally well received.

III. OTHER WHITE HOUSE ACTIVITIES

The following is a summary of other activities in support of the Treaties conducted by the Vice President and your senior aides.

1. The Vice President has been involved personally, giving briefings to groups here in the White House, e.g., 45 national presidents of Hispanic organizations, and speaking on behalf of the Treaties throughout his travels across the country.
2. Top Administration officials have given briefings to a large number of key organizations such as:

- Council of the Americas
- U.S. Chamber of Commerce
- National Association of Manufacturers
- Business Roundtable
- Young Presidents organization
- American Society of Association Executives
- Council of Small and Independent Business Associations
- American Jewish Committee
- American Jewish Congress
- National Union of Hebrew Congregations
- U.S. Conference of Black Mayors
- National Black Caucus of State Legislatures
- NAACP
- National Council of Churches
- League of United Latin American citizens
- National Council of La Raza
- American GI Forum
- News Directors

American Association of Latin American
Chambers of Commerce

3. The White House Press Office has sent out several mailings of materials and newsworthy items to over 4000 dailies, weeklies, news broadcasters and columnists.

IV. STATE DEPARTMENT ACTIVITIES

The State Department's speakers bureau has an exceedingly effective public education program under way. To date, it's trained and well-prepared speakers have delivered over 300 speeches in 40 states.

During the week of December 3-9, the Treaties were the topic of 28 speeches and 19 interviews in 18 states (including DC). Ambassador Bunker made a swing through Kentucky, addressing the Louisville Chamber of Commerce and the Lexington Kiwanis. Ambassador Popper spent two days in Alabama and then addressed the International Labor Press Association at the AFL-CIO convention in Los Angeles. Ambassador McGee appeared in Tennessee. Assistant Secretary Todman spoke before the national conference of the Association of Black Elected Officials. Speeches and/or interviews took place in the following states: Arkansas, Delaware, Kentucky, Missouri, Pennsylvania, Tennessee and Texas.

During the week of November 26 to December 2, the Treaties were discussed in 32 speeches and 21 interviews in 16 states, including the following: Arizona, Arkansas, Georgia, Kentucky, Louisiana, Michigan, Nebraska, North Carolina, Tennessee, Texas and West Virginia. Ambassador Linowitz addressed the Georgia Bar Association in Atlanta. Deputy Assistant Secretary Sally Shelton appeared before the Houston Chamber of Commerce. Colonel Jackley spent two days in Nebraska and General Dolvin spoke in North Carolina.

During the week of December 10-16, at least 21 speeches and 6 interviews will take place. Ambassador Bunker will address the annual meeting of the Conference of State Legislators. General Dolvin will visit Arizona and New Mexico. Speeches and/or interviews will take place in the following states: Arizona, Florida, Georgia, New Mexico, Pennsylvania, Texas and West Virginia.

V. COMMITTEE OF AMERICANS FOR THE CANAL TREATIES - COACT

Since its November 18 organizing rally, COACT has prepared a follow-up mailing to the 1200 people who attended the Washington rally.

The Committee is working with Treaty supporters in every target state to encourage the formation of state citizens' committees. Committees have been announced or soon will be in Michigan, Florida, Arizona, New Mexico and Delaware. Efforts are underway in West Virginia, Tennessee, Kentucky, Pennsylvania and Texas.

THE WHITE HOUSE
WASHINGTON

12/14/77

Mr. President:

Watson and Schultze have
no comment.

Rick

THE PRESIDENT HAS SEEN.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

December 14, 1977

Q

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM:

JAMES T. MCINTYRE, JR.
STUART E. EIZENSTAT

*Jim
Stu*

SUBJECT:

Recommended Letter to Secretary Adams on
Policy Options for the Rail Freight Industry

During discussion of the rail policy studies last June in the OMB Spring Preview, you indicated to Secretary Adams that you wanted to understand better the problems of the railroad industry and that you wanted to make the final decisions on these issues. The December 2 memorandum (attached) to you from the Secretary responds to your questions. It is the first indication that we have had of the direction of these studies.

The Secretary's memo is brief and, for that reason, may not completely reflect his views. To the extent the memo portrays the contents of the studies, however, we are concerned. The study's assumptions would tend to increase federal involvement (conceivably by as much as \$8-12 billion over the next ten years) to the point that it would be irreversible. In our view, those assumptions also gloss over the basic but unpalatable problems of the industry. Simply put, there are too many railroads, too much track, too many employees, and too low a rate of productivity.

The Department is now on a schedule which may limit your review of these studies to the December 2 memorandum. Access of affected agencies to the draft report may be limited to three weeks over the Christmas holidays. We believe this is inadequate time to obtain the views of all affected departments. The danger of this schedule is that your support of the assumptions and findings contained in the report will be assumed. Since the preliminary report will determine the nature of the congressional debate, it may be too late to make any changes once the report is transmitted to Congress.

As Secretary Adams notes, it is very likely that the Congress will pass legislation dealing with the railroads in the upcoming session. The report to Congress based upon the studies described in the Secretary's memorandum will have a substantial impact on the content of the upcoming legislation. Because of this, we believe it to be essential that you alert the Department to your desire to have an opportunity for a careful review and development of an Administration position on these studies. Attached is a letter which does this. We recommend signature.

Attachment

THE WHITE HOUSE

WASHINGTON

December 14, 1977

The Vice President
Stu Eizenstat
Jack Watson
Jim McIntyre

The attached was returned in the President's outbox today and is forwarded to you for your information. The letter has been delivered to Secretary Adams.

Rick Hutcheson

RE: ECONOMIC PROBLEMS OF RAIL FREIGHT
INDUSTRY AND FEDERAL POLICY OPTIONS

THE WHITE HOUSE

WASHINGTON

December 14, 1977

To Secretary Brock Adams

I have read with interest your memorandum on the railroad freight industry policy studies. I look forward to reviewing your report and the comments of other affected agencies before it is sent to the Congress. I want to assure that my staff has the opportunity to adequately analyze these proposals before they are forwarded to Congress.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jimmy", with a long horizontal line extending from the end of the signature.

The Honorable Brockman Adams
Secretary of Transportation
Washington, D.C. 20590



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

cc. Brock
J

DEC 2 1977

MEMORANDUM FOR THE PRESIDENT
Attention: Mr. Rick Hutcheson, Staff Secretary

From: Brock Adams

Subject: Economic Problems of the Rail Freight Industry
and Federal Policy Options

At our budget preview meeting in June, you asked for a background paper on the railroad industry and a discussion of options for addressing the industry's financial problems. After consultation with OMB and Domestic Council staff, I am providing in this memorandum a summary of the causes of the railroad problem and an outline of policy studies currently being conducted by the Department of Transportation under the mandate of the Railroad Revitalization and Regulatory Reform Act of 1976 (4R Act). A preliminary report of these 4R Act studies is to be published by January 31, 1978. We anticipate extensive internal policy discussions in December and January which will result in development of a range of options for presentation in the report. Public discussion will follow and a final report, with the Administration's recommendations, will be made in May, 1978.

At the conclusion of this memorandum, I summarize several other railroad issues which may reach your desk in the first half of calendar year 1978. Also, an attachment lists rail revitalization efforts already underway as a result of recent legislation.

I believe your energy policies, the nation's economy, and the need for an efficient national transportation system all demand a vital, productive rail freight industry. A majority of the industry's firms are reasonably healthy, but substantial efforts will have to be made to keep the remainder of rail services within the private sector and in an acceptable degree of financial health. I believe this goal is achievable within a limited and reasonable Federal transportation budget, but that it will require sacrifices of certain services and adjustment in a variety of institutional factors, as briefly described below.

Electrostatic Copy Made
for Preservation Purposes

The Railroad Problem and Its Causes

The once powerful railroads have fallen on difficult times. The national rail system, building on technological and institutional marvels of the last century, reached a peak of 254,000 miles in 1916 and has since declined to about 195,000 miles. Rail employment, which was at a level of 1.4 million as recently as 1944, now stands at about 500,000. Revenue passenger miles declined 80 percent from 1947 to 1973, and now represent less than one percent of all intercity travel. In 1947 the railroads carried two-thirds of intercity freight ton-miles, now only 36 percent. If measurement is by tonnage hauled rather than ton-miles, railroads have recently lost their pre-eminence as freight carriers to trucking; trucks now make up 38 percent of intercity tonnage, versus 29 percent for railroads. Traffic declines have been most severe in the Northeast.

There is a vicious, declining cycle from loss of traffic, to loss of revenues, then profits, then capacity to provide service, then more losses of traffic and so on. The railroads' ordinary income today is only one-quarter its 1947 level, after adjusting for inflation. For the industry as a whole, internal cash generation is insufficient to meet capital requirements, and return on investment is too low, except in isolated instances, to attract new equity capital. On a revenue basis, some 62 percent of rail services are provided by firms that are considered fairly healthy, but ten firms have gone into bankruptcy since 1970 and a number of others are in marginal condition. Conrail, the firm established as successor to seven bankrupt Northeast carriers, carries nearly 17 percent of national rail traffic, and the "marginal" carriers make up the remaining 21 percent of rail business.

The poor financial condition of much of the railroad industry results from various factors, not all of which are within the industry's control. Some examples:

- o Basic changes in traditional rail markets, as heavy industry has given way to a service-oriented, high technology economy, and as shifts have occurred in the location of industry.
- o Regulation, which has constrained management's ability to adjust rates, merge corporate entities, and abandon obsolete facilities and services.
- o Inability of labor and management to agree on methods for improving productivity following implementation of innovations designed to save labor costs.
- o Government provided highways, locks, dams and other facilities -- in the absence of adequate user charges -- have subsidized the rail industry's principal competitors.
- o Insufficient R&D and slowness in adapting to new technology, while rival modes kept abreast of new developments.

Let's do
all we
can -

also:

Too many
railroads,
too much
track, too
many employees
Increasing dependence
on Gov't
bailouts, too
much past
(present?) use
of RR money for
non-related
investment

The railroads must have increased flexibility or direct support in all or nearly all of these areas if they are to regain their vitality. Without these improvements, long run demands for additional Federal financial aid will be much greater than if such changes were to take place naturally.

The Policy Studies

The 4R Act opened four key areas for study:

- o A classification, on the basis of traffic density and other significant characteristics, of the lines of most intercity railroads in the United States (section 503). (This report was completed and transmitted to Congress on January 19, 1977.)
- o An analysis of whether Federal policies toward other modes have unfairly disadvantaged the railroads (section 902). (Completed and transmitted to Congress on January 19, 1977.)

- o An assessment, for the period 1976-1985, of the capital needs of the rail industry, whether those needs are likely to be met by private sources of capital, and -- in the event that they are not -- a proposal for the amount and form of financial assistance the Federal Government should provide to the rail industry (section 504).
- o Investigations of a variety of other specific issues pertaining to the rail system and possible solutions to indicated problems (section 901).

The Department's policy studies will continue to place high priority on keeping the industry functioning as a vital business within the private sector. We wish to minimize the degree of public involvement -- especially public financial involvement -- in the industry. This does not mean that the possibility of financial aid has been ruled out, but it does mean that any recommendation for financial assistance will only be made after a careful examination of all less expensive and less intrusive policy alternatives.

Our concerns about public financial commitments are especially relevant because of the way the 4R Act studies are structured in the legislation. Congress has required in section 504 an estimate of the amount of capital that the industry will need, but be unlikely to attract from private financial markets over the next decade. The size of this estimated capital "gap" will be the focus of a great deal of discussion and debate. It will tend to serve, unfortunately, as the starting point for the examination of policy options -- alternatives that should be much broader in scope than a simple attempt to "make up the estimated shortfall." Of course there is plenty of reason to question the assumptions which go into any estimate of "the gap", and we will do our best to shift the debate from this estimate of "needs" to a more realistic assessment of promising opportunities.

Indeed, large scale assistance to the rail industry, particularly of the simple gap-filling variety, should be averted. At the very least, such assistance conflicts with the goal of private sector operation of the industry. Without concomitant institutional change, moreover, large scale assistance is unlikely to have a full and lasting beneficial effect. As indicated earlier, the industry's difficulties in earning an adequate return on existing investment require more than simple infusion of more federal financial aid.

On the other hand, I do not think revitalization will occur if we rely exclusively on institutional change. Exhortation of railroads to coordinate their facilities, bring in new technology, and expand their markets will help -- and some of these changes are happening -- but there is a long history of failure of the exhortation approach. A program of properly structured federal assistance could be one way of helping to overcome existing barriers to change. Such a program could include planning assistance to railroads, continuation and expansion of labor-management productivity projects, labor relocation assistance associated with projects designed specifically for productivity improvements, redirection of the branch line subsidy program, and other forms of low cost assistance where the public interest warrants.

In addition to financial assistance and the promotion of institutional change, we are considering changes in federal policies which may either unjustifiably hinder the railroads or give unwarranted advantage to their competitors in other modes. The 4R Act studies will provide a basis for possible suggested modifications in such policies, particularly those relating to highway and waterway user charges, truck sizes and weights, and criteria for certification of coal slurry pipelines.

None of the elements of financial aid, regulatory change or more equitable policies vis-a-vis rail competition will be sufficient by itself to correct the long-term problems of the industry; all three must be achieved and implemented as a concerted effort in order to achieve our goal. We must have a broad strategy that employs limited federal funds to assist internal productivity improvements and to ease any unintended burdens which may follow needed rationalization of the industry. We must have a clearly articulated program, with well understood and predictable consequences, for lessening the burden of regulation. And we must devise more equitable and more flexible financial assistance policies toward the transportation sector of the economy.

Other Railroad Issues -- Action Likely in 1978

In addition to the broader policy studies, several other important railroad issues may reach your desk in the first half of calendar year 1978. This is the case despite the fact that the Congress has enacted major rail legislation twice in the last four years and surely wishes, as we do, that railroad problems would not require so much Federal attention. The other issues:

- o A nationwide rail strike is possible -- even likely -- this winter over the issue of size of train crews. Management is willing to increase rail wages (already high in comparison with all industries) but seeks to reduce average train crews from 4 to 3. The United Transportation Union is digging in for an all-out battle. The issue is comparable to the 10 year fight over elimination of the fireman from diesel locomotives. Railway Labor Act procedures buy time, and Congress probably would step in to avoid a nationwide shut-down. Negotiations are going slowly at this time, but may pick up steam as the date for amendment of agreements (December 31, 1977) nears. The labor-management impasse hangs heavily over constructive legislative efforts, cooperative demonstration projects for improved productivity, and the 4R Act policy studies.
- o Conrail, a private firm established with the assistance of a \$2.1 billion loan from the Government, is experiencing difficulties in achieving its planned goals within the limits of those funds. The DOT and USRA, the independent Federally chartered agency which finances Conrail, are carefully monitoring Conrail's progress.
- o Legislation that would alter the nationwide branch line subsidy program is under consideration by Congress, with strong support from States and railway labor unions. We have tried (apparently successfully) to head off action this fall in the hope of coming up with suggestions for a more constructive program early next year.
- o Amtrak operating subsidies now approximate \$500 million annually, despite large infusions of new capital. The Department is urging restructuring of passenger service routes in an effort to hold the budget line.

- o The \$1.75 billion Northeast Corridor Improvement Project is currently underway, with a very tight completion schedule of February 1981. A report to Congress on the status and future of the project is required in February, 1978.
- o Last year's harsh winter was rough on railroads operating in the Northern States. Another bad winter (together with other factors) could push one or more marginal carriers into bankruptcy.

* * * * *

I hope this memorandum has been responsive to your concerns and I assure you that we will be developing proposed policies on these highly important topics in concert with you.

Attachment

RECENT RAILROAD LEGISLATION

Railroads were the nation's first big business and the first industry to come under detailed Federal regulation. Congress has established or adjusted the legislative environment for railroads in major ways in 1850, 1867, 1887, 1893, 1903, 1913, 1920, 1933, 1940, 1958, 1970, 1973, and 1976. Each of these Acts (after 1867) was in response to a major economic crisis, a perceived need to control rail rates, or some manifest failing within the industry. The three recent enactments are these:

- o Creation of Amtrak (1970) -- The Act had the intent of relieving freight railroads of the tremendous burden of operating passenger trains, preserving warranted services, and operating restructured service in the black. The first two goals have been achieved, but despite great cutbacks in service, the deficit borne by the Federal Government now approximates that carried by the railroads eight years ago.
- o Groundrules for reorganization of the Northeastern bankrupt carriers (1973) -- The Regional Rail Reorganization Act (3R Act) established USRA to plan a restructured system and set procedures for transfer of properties to the new carrier, Conrail. Labor protection payments and a new light density line (branch line) subsidy program were established to facilitate the reorganization. Financial aid was provided in the form of grants for interim operation of the bankrupts and loans for rehabilitation of rail properties in the Northeast and Midwest.
- o Affirmation of the USRA Final System Plan (1976) -- The Rail Revitalization and Regulatory Reform Act (4R Act) provided funding authorization of \$2.1 billion for Conrail, among several other important programs:
 - \$1.75 billion in Federal funds for the Northeast Corridor Improvement Project, with legislated passenger service trip time goals of 2 hours, 40 minutes New York to Washington, and 3 hours, 40 minutes New York to Boston.

--\$600 million in authorized funds for a program of financial assistance in which the Government purchases from railroads shares of a special class of new redeemable preferred stock paying below market dividend rates. This program benefits mainly marginal railroads because a certification is required that other financing is not available. The Federal Railroad Administration (FRA) has now committed \$62 million in preference share financing.

----\$1 billion authorized ceiling on loans to railroads guaranteed by the Government. FRA has approved \$12 million (face amount) of such guaranteed loans. Despite the fact that funds are available on the strength of the guarantee at substantially below the market rate of interest, applications from carriers have been slow. Again, the marginal railroads are the most likely applicants.

-- Increased regulatory flexibility, such as by granting carriers the right to adjust any rate upwards or downwards within a limited range without ICC approval, unless the individual carrier is "dominant" in the specific "market" affected by a rate. Unfortunately, the 4R Act regulatory reform provisions do not lend themselves to clear interpretation in practice, and the benefits of the Act's increased flexibility have been slow in coming as a result. Congress also directed the ICC to give more consideration in its rulings to the financial health of rail carriers.

-- Some additional flexibility and a possibly shortened timetable for railroad mergers.

-- \$125 million authorization for subsidy of commuter railroad operations not required to be continued by Conrail.

-- \$360 million authorization for a four year nationwide program of subsidy to branch lines approved for abandonment by the ICC in addition to \$180 million solely for the Northeast-Midwest region.

-- A requirement that the Secretary of Transportation conduct a series of policy studies designed to assess the severity of the railroad problem and what else should be done about it. A preliminary report with options is now scheduled for January 31, 1978, and a final report is due on May 15, 1978.

THE WHITE HOUSE

WASHINGTON

*Joint memo
w/ McEl/52*

Date: December 3, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Jack Watson *nc by phone*
Jim McIntyre
Charles Schultze *nc by phone*

FOR INFORMATION:

The Vice President
Frank Moore

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Adams memo dated 12/2/77 re Economic Problems of
the Rail Freight Industry and Federal Policy Options.

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME: 11:00 AM

DAY: Tuesday

DATE: December 6, 1977

ACTION REQUESTED:

☒ Your comments
Other:

STAFF RESPONSE:

☐ I concur. ☐ No comment.
Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

December 2, 1977

MEMORANDUM FOR THE PRESIDENT

THROUGH: Rick Hutcheson, Staff Secretary

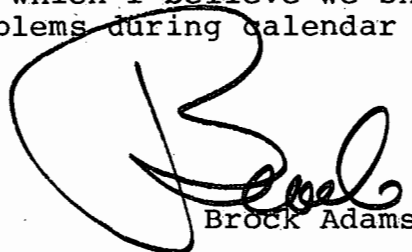
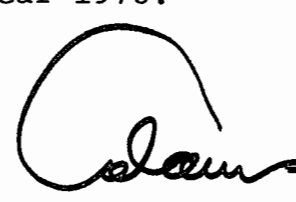
SUBJECT: Economic Problems of the Rail Freight
Industry and Federal Policy Options

Summary

Attached is a report which I have asked my staff to develop in response to your request at our Budget Preview Meeting for a background paper on the railroad industry.

This report indicates the very difficult problems we will face with the railroad industry during the next year, and I suggest that you might want to refer it to your staff or OMB rather than reading it in detail at this time.

I will be preparing for you, as part of a comprehensive transportation policy statement, a specific paragraph on the manner in which I believe we should approach the railroad problems during calendar year 1978.

 
Brock Adams

Attachment

THE WHITE HOUSE
WASHINGTON
December 14, 1977

Stu Eizenstat
Frank Moore

The attached was returned in the
President's outbox today and is forwarded
to you for appropriate handling.

Rick Hutcheson

cc: The Vice President

RE: ERDA AUTHORIZATION LEGISLATION

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION
FYI

✓	MONDALE
	COSTANZA
✓	EIZENSTAT
	JORDAN
	LIPSHUTZ
✓	MOORE
	POWELL
	WATSON
	McINTYRE
	SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

12/14/77

Mr. President:

Bill Cable comments: "I asked the Speaker to get the House Committee to remove the spent fuels veto provision. He was unsuccessful in convincing Chairman Teague. We should be cautious in vigorously pursuing the veto threat. The House feels we won on CRBR and that that was the only issue."

Rick

THE PRESIDENT HAS SEEN

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for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

①

December 12, 1977

MEMORANDUM FOR THE PRESIDENT
FROM STU EIZENSTAT *Stu*
KITTY SCHIRMER
SUBJECT: ERDA AUTHORIZATION LEGISLATION

Last Thursday, the House passed and sent to the Senate a "new" ERDA authorization bill. The House made two changes from the bill which you vetoed:

- the entire section dealing with the Clinch River Breeder Reactor Project was deleted;
- the section dealing with uranium services pricing, which had one of the three "one-house" vetoes, was deleted entirely.

The rest of the bill is identical to the one you vetoed.

Four of the six problem areas you cited in the veto message are unchanged:

- one-house veto over the purchase, storage or return to the U.S. of foreign spent fuel;
- one-house veto on loan guarantees for geothermal facilities costing over \$50 million;
- 30-day waiting period for implementation of Secretarial decisions on organizational changes in energy research and development; and
- 6-month deadline for completion of a study on future uses of the Barnwell facility. (Note: we have received informal agreement from the Committees and interested Members that the 6-month deadline can be extended upon request from Secretary Schlesinger. This issue, then, is resolved for all practical purposes.)

Of these items, the one-house veto dealing with spent fuel is the most significant. (The geothermal one-house veto is important only in principle; it is not a problem programmatically.) We would like your guidance on whether to seek a change in the spent fuel one-house veto when the bill is considered in the Senate. Senate staff has advised us that unless you indicate that you would veto the bill without this change, the Senate will simply pass the House bill. Senate reluctance to change the bill stems from a desire to avoid having to send the bill back to the House for further action on the Senate amendments. There is strong interest in just getting this bill out of the way.

We have talked with Jim Schlesinger's staff (who have discussed this with him) and he is inclined to believe that amending the spent fuel provision is probably not worth the fuss it could cause. We agree with this assessment, and feel that some ill-will could be engendered by this process which would come back to haunt us later on a more important issue. We have won on the most important issue in the bill -- Clinch River.

Moreover, we could choose to interpret this provision as simply a "report and wait" provision. If we decide to do this, however, Bob Lipshutz recommends, and we agree, that the Congress should be notified before the vote on the bill. If, however, you feel strongly about deleting this provision, we will work with the Senate and House members to do so. A firm representation that you will veto the bill again without the change will be required for an amendment to succeed.

Do not attempt to change spent fuel
provision

✓

Make firm veto threat and try to change
spent fuel provision

J

THE WHITE HOUSE

WASHINGTON

Date: December 14, 1977

MEMORANDUM

FOR ACTION:

Frank Moore (Les Francis) - *attached*

FOR INFORMATION:

The Vice President
Hamilton Jordan
Jim McIntyre
Secretary Schlesinger

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: ERDA Authorization Legislation -- Eizenstat memo dated
12/12/77

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME:

DAY: IMMEDIATE TURNAROUND

DATE:

ACTION REQUESTED:

☐ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE
WASHINGTON

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	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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<input type="checkbox"/>	WARREN

Date: December 14, 1977

MEMORANDUM

FOR ACTION:

Frank Moore (Les Francis)

FOR INFORMATION:

The Vice President
Hamilton Jordan
Jim McIntyre
Secretary Schlesinger

XC: Tate
Cable
FM

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: ERDA Authorization Legislation -- Eizenstat memo dated
12/12/77

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME:

DAY: IMMEDIATE TURNAROUND

DATE:

ACTION REQUESTED:

___ Your comments

Other:

STAFF RESPONSE:

___ I concur.

___ No comment.

Please note other comments below:

I asked the Speaker to get the House Committee to
remove the spend funds veto provision. He
was unsuccessful in convincing Chairman Teague.
~~I feel~~ We should be cautious in vigorously
pressing the veto threat. The House feels
we won on CRBR and that was the
only issue.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required
material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE
WASHINGTON

December 14, 1977

Bob Lipshutz

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder

RE: E.O.: TERMINATION OF THE
QUETICO-SUPERIOR ADVISORY
COMMITTEE

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION
FYI

	MONDALE
	COSTANZA
	EIZENSTAT
	JORDAN
/	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	McINTYRE
	SCHULTZE

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Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

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	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE

WASHINGTON

December 13, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT LIPSHUTZ *RL*

RE: Executive Order: Termination of the
Quetico-Superior Advisory Committee

The Department of Agriculture has recommended the termination of the Quetico-Superior Advisory Committee, established by an Executive Order in 1934. The Committee's function, which entails working with the Canadian government and advising on the preservation of the Quetico-Superior wilderness along the Minnesota-Ontario boundary, will be initially assumed by representatives of the Departments of Agriculture and Interior.

All agencies agree that there is no further need for this committee, and we recommend that you sign the attached Order.

☒ Approve

☐ Disapprove

Hooray!

**Electrostatic Copy Made
for Preservation Purposes**

EXECUTIVE ORDER

- - - - -

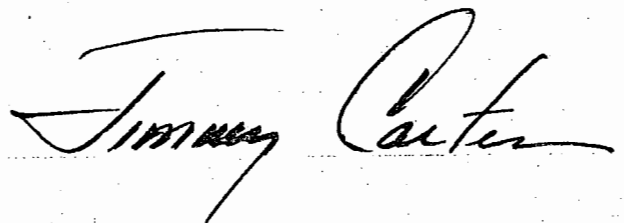
TERMINATION OF A PRESIDENTIAL ADVISORY COMMITTEE

By virtue of the authority vested in me by the Constitution and statutes of the United States of America, and as President of the United States of America, in order to terminate an advisory committee in accordance with the provisions of the Federal Advisory Committee Act (5 U.S.C. App. I), it is hereby ordered as follows:

Section 1. (a) The Quetico-Superior Committee is terminated.

(b) Executive Order No. 11342, as amended, is revoked.

Sec. 2. Subsection (e) of Section 1 of Executive Order No. 11948 of December 20, 1976, which extended the above advisory committee until December 31, 1978, is superseded.

A handwritten signature in dark ink, reading "Jimmy Carter". The signature is fluid and cursive, with the first name "Jimmy" and the last name "Carter" clearly distinguishable.

THE WHITE HOUSE,

THE WHITE HOUSE
WASHINGTON

December 14, 1977

Stu Eizenstat

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling. Please notify the Dept. of Agriculture of the President's decision.

Rick Hutcheson

cc: The Vice President
Jim McIntyre
Charles Schultze
Peter Bourne
Zbig Brzezinski

RE: UPLAND COTTON SET-ASIDE

THE WHITE HOUSE
WASHINGTON

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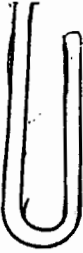
Stn - p/s natify Agriculture

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<input type="checkbox"/>	WARREN

 ACTION REQUIRED BY
THE PRESIDENT HAS SEEN. Thursday, December 15, 1977

THE WHITE HOUSE
WASHINGTON

December 13, 1977

*Stu -
No set-aside
C*

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT
LYNN DAFT

Stu

SUBJECT: Upland Cotton Set-Aside

In the attached memorandum, the Food and Agricultural Policy Working Group evaluates whether a set-aside should be imposed on upland cotton for the 1978 crop year.

Since the Working Group completed its analysis, the Department of Agriculture's Crop Reporting Board has revised its estimate of 1977 upland cotton production up 545,000 bales (about 4%) from the November estimate. For crop year 1977/78, this increase in production means larger ending stocks (6.2 million bales instead of 5.8 million), a slightly lower season average farm price (48¢ instead of 49¢ per pound), and larger budget outlays (\$531 million instead of \$488 million). For crop year 1978/79, this change means higher beginning and ending stocks, lower price expectations, and larger target price payments, regardless of whether a set-aside is imposed. In short, the increase in the production estimate strengthens the case for a cotton set-aside in 1978.

As you will note in the attached, your advisers are divided in their recommendation over whether to impose a set-aside for cotton next year. CEA, Treasury, State, and NSC oppose a set-aside; OMB and USDA favor a 10% set-aside. Since Secretary Bergland was out of town most of last week, he did not have an opportunity to participate in the formulation of the final recommendations. There is general agreement among all agencies that if a cotton set-aside is imposed, it should be made conditional on: (a) continuation of the feed grain set-aside and (b) further analysis of planting intentions early next year.

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This is another close call on a set-aside decision. On the one hand, a 10% set-aside would:

- save \$275 million in budget outlays;
- increase farm income by \$67 million;
- be consistent with the action we have taken on feed grains and wheat; and
- help prevent the shift from feed grains (where there is a conditional set-aside) to cotton.

Thus, many farmers plant both feed grains and cotton and a no set-aside decision would likely result in a shift of acreage toward cotton, leading to even further depressed prices.

*Usually
not same
community*

On the other hand, there is the likelihood of a .06 increase in inflation from adoption of a set-aside, or an increase of \$168 million in consumer cost. We have frequently talked about the fact that by incremental decisions we keep adding to the inflation rate. There is some check on the inflationary impact because of the farmers competition with synthetic fibers.

In a very close call, we recommend a conditional set-aside.

Decision

- ~~Conditional 10% set-aside, subject to planting intentions and implementation of the feed grains set-aside (USDA, OMB, DPS) Bourne)~~
- ✓ No set-aside (CEA, Treasury, State, STR, NSC)

JC

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

December 14, 1977

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CLS*

Subject: Cotton Set-Aside

CEA fully participated in the Food and Agricultural Policy Working Group deliberations and our input is reflected in the documents you have received on this issue. There is one prominent result emerging from the analysis: Even after the sudden USDA 4 percent upward revision in the crop production estimate, there is clearly no compelling case for a set-aside -- and everyone agrees. Production controls are extreme measures to be taken when the situation obviously warrants, which is not the case with cotton. Because we continue to take these decisions incrementally, we seem to get locked-in -- because we have a wheat set-aside, we need one for feed grains which then means we need one for cotton.

While the impact on prices and inflation would be small it is not zero, and is one more straw on the camel. Given our attempt to come up with a meaningful anti-inflation program, it would be a useful rule that we do not adopt measures which add to inflation, however little, unless there is a compelling case. This is not a compelling case.

TO:

SECRETARY BERGLAND

FROM:

WORKING GROUP FOR FOOD AND AGRICULTURAL POLICY

SUBJECT:

1978 Cotton Program

The law requires that by December 15, 1977, the Secretary of Agriculture announce:

1. What level of cotton set-aside, if any, should be imposed for the 1978 crop year, and
2. The level of National program acreage for cotton in 1978.

World Cotton Situation

The world cotton crop for 1977/78 will be above that of recent years--- 65 million bales versus 58 million bales last year and 54 million bales the year before (Table 1). Beginning stocks for 1977/78 were at their lowest level since 1953. Yet even with the lower carry-in stocks, total supply this year will be about 4 million bales above 1976/77 because of the increased production. This, combined with weak demand, will result in ending stocks for 1977/78 of 3 million bales more than last year's level.

A sluggish world economy and competition from manmade fibers are expected to keep 1977/78 consumption near the 1976/77 level of 61 million bales, and about 1.5 million bales below trend. In 1978/79, world cotton consumption is projected to increase to 62.5 million bales as a result of an expected improvement in the world economy and cotton's more favorable price position with regard to manmade fibers. Recovery is expected to be greatest in the U.S. and foreign importing countries, resulting in larger U.S. exports for 1978/79.

Northern Europe cotton prices declined rapidly from a March high of 87 cents. Since then, they have fallen sharply, hitting 58 cents in November. The record production of cotton, coupled with expected weak demand, is responsible for the current depressed prices.

Domestic Cotton Situation

The November crop report estimates the 1977 U.S. cotton crop at 13.8 million bales--up 3.2 million bales from last year and the largest since 1965. The large 1977 crop, in combination with the expected decline in exports for 1977/78, will result in carryover stocks of 5.8 million bales by next August--the largest since 1968 and up from the 3 million on hand this year. This will represent about 25 percent of total world stocks, the largest U.S. share since 1970. A U.S. stock level of 4 to 4.5 million bales--or about 30 percent of disappearance, is considered adequate.

Larger supplies and building stocks have led to lower cotton prices. The price of base grade SLM 1 1/16-inch cotton is now around 48 cents per

pound, nearly 30 cents below last November. Many farmers are caught in a cost-price squeeze, with the total cost of producing the 1977 crop averaging around 55 cents per pound.

Cotton is produced in four major regions in the U.S.: (1) Delta--Mississippi, Arkansas, Louisiana, Missouri, and Tennessee; (2) Southwest--Texas and Oklahoma; (3) Southeast--Alabama, Georgia, and the Carolinas; and (4) West--California and Arizona. Soybeans compete with cotton in the Delta and Southeast, sorghum is the major competitor in Texas and Oklahoma; and barley, to a limited extent, is the competitor in the West.

Cotton and sorghum prices and returns this spring are expected to give soybeans a slight competitive edge in the Delta and a more significant advantage in the Southeast. Fewer acres are expected to be planted to cotton in those areas, which account for about one-third of the upland cotton acreage. However, the largest change in comparative returns will occur in the Southwest and West. Although cotton still has a price advantage in both regions, the advantage over sorghum and barley is expected to be significantly reduced from last year. A set-aside program for cotton would minimize the shift away from cotton to sorghum and barley, while the absence of a cotton set-aside would keep cotton acreage high, particularly in the Texas-Oklahoma area.

Set-Aside Analysis

The major effects of a 10 percent cotton set-aside for the world are summarized in Table 2 and for the U.S. in Table 3. U.S. acreage is estimated at 12.5 million acres with no set-aside and 11.5 with a set-aside in effect. The difference in production is estimated to be 900,000 bales, the equivalent of 8 percent of U.S. production and 2 percent of world production. Ending stocks would be 600,000 bales less with a 10 percent set-aside than with no set-aside, and farm prices would average 5 cents per pound higher with a set-aside.

Weather remains the major source of variability in world cotton production. A poor crop would result in a stock drawdown and higher prices, regardless of whether a set-aside is in effect. The economic models indicate that a combination of bad weather and a 10 percent set-aside could push the U.S. price as high as 60 cents (Table 3), but some within the USDA feel that this estimate is excessive and that an upper limit at 55 cents would be more likely.

Retail prices for the major fiber products are primarily a function of the wage rates in these industries. The impact of cotton prices on the retail price of men and women's apparel is not measurable, and the effect on textile products and household furnishings is marginal. A 5-cent per pound increase in the current price of raw cotton would cause the overall CPI to increase by an estimated .06 points.

Per capita consumption of cotton primarily depends on the level of total fiber demand and cotton prices relative to manmade fiber prices. When natural and manmade fiber prices are competitive, it is estimated that a 5-cent per pound increase in cotton prices would lower use by about

200,000 bales. Manmade fibers would make up the difference since total fiber consumption depends on the level of economic activity and would not be expected to change.

The principal arguments for and against a set-aside are as follows:

PRO

- o Cotton prices have fallen sharply in recent months and are below cost of production for many farmers. In the absence of a set-aside and with either good weather or "most likely" weather, cotton prices would drop an additional 3-5 cents in 1978/79.
- o Having announced a feed grain set-aside for 1978 to not have a cotton set-aside would likely result in a distorting shift of acreage out of feed grains and soybeans and into cotton.
- o Many cotton farmers, particularly those in the West and Southwest, are expecting a set-aside.
- o The combination of higher cotton prices and reduced production costs under a set-aside would more than offset reduced government payments to farmers.
- o A set-aside would reduce government outlays by \$250-\$275 million, though as much as 40 percent of this is reduced loan activity which is not a long-term cost (\$318 million less for cotton minus an additional \$49 million for feed grains).
- o It is expected that farmers will set aside their poorest land, much of which should probably not be cropped regularly from a conservation viewpoint.
- o U.S. exports of cotton, measured in dollar value, would be about \$15 million higher under a set-aside since the higher price would more than compensate for the reduced volume of trade.

CON

- o Though U.S. ending stocks for 1977/78 will be large, by historical standards, they are not excessive. Furthermore, the ratio of world stocks to world consumption is already below that of the early 1970's and is expected to decline slightly more next year, regardless of whether there is a set-aside.
- o If we were to have both a set-aside and bad weather, ending stocks would be relatively low. The higher prices which would result would reduce both domestic and foreign markets for cotton in favor of competing fibers.

- o A slight increase in retail prices--estimated at .06 points in the CPI or \$168 million increase in consumer costs--would result from adoption of a set-aside.
- o Not having a set-aside would be consistent with an objective of avoiding governmental intervention and regulation, unless absolutely necessary.
- o When the farm price of a pound of cotton is in the 50-60 cent range, it is estimated that a 5 cent per pound increase in cotton prices would reduce long run mill use by around 200,000 bales, although not in the first year.

Public Comments

Nineteen public comments were received regarding the 1978 upland cotton program, most of them regarding use of the set-aside. Producer interests from the West and Southwest generally favor actions that would restrict cotton plantings, including imposition of a set-aside. They argue that failure to have a set-aside for cotton will cause producers of other crops for which a set-aside is in effect to divert acreage to cotton and thereby further depress the price. Interests from the South, including the Delta Council, were opposed to a set-aside. The National Farmers Union, the only national farm organization to comment, favors a 25 percent paid diversion program rather than a voluntary set-aside program.

Agency Positions

CEA feels that the decision is a "tossup" and, therefore, in the interest of avoiding unnecessary programs and regulations, recommends against a cotton set-aside. Though recognizing that some production shifts may occur as a result of this, CEA feels their significance does not justify a set-aside.

Treasury is opposed to a set-aside. They feel that the case for a set-aside is not a strong one. They cite the following reasons: 1) There is a continuing low level of world stocks, even though U.S. stocks are somewhat higher than desirable. 2) Because of a tighter world situation, there is more than an outside chance of a significant rebound in raw cotton prices by 1979, as demand is expected to strengthen while foreign supplies are reduced. It would be unfortunate to curtail cotton output at a time when demand was recovering, thereby stimulating another round of excessive price increases. 3) Erratic prices have been one of cotton's worst enemies in the competitive battle against manmade fibers. If we were to err on the side of supply constraints in 1978/79, cotton's long-term market share might be eroded further.

However, if there is a decision for a set-aside, Treasury feels it should be a tentative one to be revoked if the feed grain set-aside is withdrawn or if there are changes in the cotton situation.

State opposes a set-aside. In their view, the domestic arguments are inconclusive but the international implications are negative. A set-aside would both signal that the United States will unilaterally bear the burden

of adjustment to changes in world production and demand, and would cast in doubt our reliability as a supplier. In brief, it would encourage our competitors and discourage our customers.

AID defers to State Department's judgement on this issue.

NSC concurs with State. However, if a cotton set-aside is adopted, NSC recommends that the public announcement emphasize the conditional nature of both the cotton set-aside and the related feed grain set-aside program.

OMB supports a 10 percent set-aside because the agriculture analysis shows that it results in: 1) Significantly lower budget outlays and 2) Some improvement in farm income compared to the no set-aside approach under all three weather assumptions. Further, a cotton set-aside should deter an undesirable acreage shift from feed grains into cotton, with subsequent adverse effects on cotton markets.

STR feels that on the basis of the analysis presented, domestic and international arguments either for or against a set-aside for cotton are not conclusive. The analysis indicates that a set-aside will most likely result in approximately \$71 million in additional exports during 1978/79. However, because of the expected higher prices, the quantity of U.S. exports in 1978/79 would most likely be 200 thousand bales less under set-aside, suggesting that by such action the U.S. would forego future market opportunities. While this concerns us, we do not feel that the trade considerations are significant enough to outweigh domestic policy and other considerations.

If it is decided a set-aside is necessary on the basis of domestic policy considerations, STR suggests that it be "conditional" so that it can be reviewed at the same time that the feed grain set-aside is reconsidered in early 1978. At that time, the set-aside can be considered in light of further studies on the feasibility of a reserve for cotton which are to be undertaken by the Working Group.

USDA's Working Group representatives support a conditional 10 percent cotton set-aside program. The price of cotton is depressed to a level below the cost of production for most producers. Without a cotton set-aside the farm price is likely to decline to and remain near the market support price during the 1978-9 season. Target price payments would then be near maximum, and cotton export earnings depressed. The price of cotton would be below the level at which we would become concerned over keeping cotton competitive with manmade fibers. Therefore, there is little to be gained, and much to lose with low cotton prices.

Personally, I am concerned that there will be another increase in cotton acreage in Texas if there is no set-aside program for cotton. My friends tell me that having a set-aside for sorghum and none for cotton would mean a further shift away from sorghum and towards cotton. I, therefore, believe we will have to have a set-aside program for 1978 cotton.

John C. White
Chairman

Table 1--World cotton situation and outlook with weather related ranges for 1978/79 1/

Item	1975/76	1976/77	Estimated 1977/78	1978/79 projections					
				No set-aside			10 percent set-aside		
				Bad weather	Most likely	Good weather	Bad weather	Most likely	Good weather
--Million bales--									
Beginning stocks:									
United States	5.7	3.7	2.9	5.8	5.8	5.8	5.8	5.8	5.8
Foreign	24.4	18.5	15.8	16.5	16.5	16.5	16.5	16.5	16.5
World, total	30.1	22.2	18.7	22.3	22.3	22.3	22.3	22.3	22.3
Production:									
United States	8.3	10.6	13.8+0.6	11.0	11.7	12.4	10.1	10.8	11.5
Foreign	45.8	47.4	51.0+1.0	47.5	50.0	52.5	47.5	50.0	52.5
World, total	54.1	58.0	64.8+1.2	58.5	61.7	64.9	57.6	60.8	64.0
Consumption:									
United States	7.3	6.7	6.7+0.3	7.0	7.1	7.4	6.9	7.0	7.3
Foreign	54.8	54.5	54.7+1.3	54.5	55.5	56.5	54.5	55.5	56.5
World, total	62.1	61.2	61.4+1.5	61.5	62.6	63.9	61.4	62.5	63.8
Exports:									
United States	3.3	4.8	4.4+0.5	5.5	5.0	4.5	5.3	4.8	4.3
Foreign	15.7	13.3	14.2+0.8	13.0	14.0	15.0	13.2	14.2	15.2
World, total	19.0	18.1	18.6+1.0	18.5	19.0	19.5	18.5	19.0	19.5
Ending stocks:									
United States <u>2/</u>	3.7	2.9	5.8	4.5	5.6	6.5	3.9	5.0	5.9
Foreign	18.5	15.8	16.5	15.0	16.0	17.0	14.8	15.8	16.8
World, total	22.2	18.7	22.3	19.5	21.6	23.5	18.7	20.8	22.7

1/The range for world cotton production contains 67 percent of the variability based on trend deviations from 1966-76. Domestic and foreign production ranges were proportioned relative to their trend standard errors such that the following identity held: World production = U.S. production + foreign production.

2/200,000 unaccounted bales included in ending stocks.

Table 2--Review of U.S. cropland planted acreage, 7 crops
(million acres)

Commodity	1976/77	1977/78	1978/79	
			20% wheat 10% corn, sorghum, and barley 0% cotton	20% wheat 10% corn, sorghum, and barley 10% cotton
Corn	84.1	82.4	80.5	80.5
Sorghum	18.6	17.4	17.0	17.5
Barley	9.3	10.4	11.0	11.0
Oats	17.5	18.5	16.5	16.5
Feed grains	129.5	128.7	125.0	125.5
Wheat	80.2	74.4	67.0	67.0
Soybeans	50.3	59.3	58.0	58.0
Cotton	11.6	13.4	12.5	11.5
Total, 7 crops	271.6	275.8	262.5	262.0
Set-aside	---	---	16.0	17.0
Total	271.6	275.8	278.5	279.0
Government costs (mil. dol.):				
Feed grains	---	2,043	1,601	1,650
Cotton	---	488	435	117
Total	---	2,531	2,036	1,767

Table 3--Upland cotton: U.S. supply-use most likely and weather alternative, 1978/79 projections

Item	Actual					Esti- mated 1977/78	1978/79					
	1972/73	1973/74	1974/75	1975/76	1976/77		10% set-aside			No set-aside		
							Bad weather	Most likely	Good weather	Bad weather	Most likely	Good weather
Supply (mil. bales):												
Beginning stocks	3.2	4.2	3.8	5.6	3.6	2.9	5.8	5.8	5.8	5.8	5.8	5.8
Production	13.6	12.9	11.4	8.2	10.5	13.7	10.1	10.8	11.5	11.0	11.7	12.4
Total supply 1/ Disappearance (mil. bales):	16.8	17.1	15.2	13.9	14.2	16.6	15.9	16.6	17.3	16.8	17.5	18.2
Domestic use	7.7	7.4	5.8	7.2	6.6	6.6	6.9	7.0	7.3	7.0	7.1	7.4
Exports	5.3	6.1	3.9	3.3	4.8	4.4	5.3	4.8	4.3	5.5	5.0	4.5
Total use	13.0	13.5	9.7	10.5	11.4	11.0	12.2	11.8	11.6	12.5	12.1	11.9
Unaccounted (mil. bales):	0.3	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Ending stocks (mil. bales)	4.2	3.8	5.6	3.6	2.9	5.8	3.9	5.0	5.9	4.5	5.6	6.5
CCC loans outstanding	0.2	0.2	0.9	0.1	0.3	2.0	0.2	1.0	2.0	0.5	1.8	2.7
Season average price (¢/lb.)	27.2	44.4	42.7	51.1	64.7	49.0	60.0	51.0	45.0	55.0	46.0	44.0
Government expenditures (mil. dol.):												
Deficiency payments	809	713	---	---	---	---	---	219	384	110	358	413
Set-aside payments	---	---	---	---	---	---	---	---	---	---	---	---
Disaster payments	---	---	127	118	98	117	123	115	108	133	125	118
Loan and inventory	15	8	103	-111	39	371	-386	-217	-6	-323	-48	142
Total	824	721	230	7	137	488	-263	117	486	-80	435	673

¹/Includes imports.

NOTE: Minus sign denotes net receipt.

Table 4
Upland cotton: Income and farm price projections under alternative
set-aside and weather alternatives

Item	1977/78 <u>1/</u>	1978/79 2/					
		10% set-aside			No set-aside		
		Bad :weather:	Most :likely:	Good :weather:	Bad :weather:	Most :likely:	Good :weather:
Returns above costs (mil. dol.):							
Farm value	3,234	2,916	2,644	2,479	2,896	2,583	2,625
Deficiency payments	0	0	219	384	110	358	413
Disaster payments	117	123	115	108	133	125	118
Total gross income:	3,351	3,039	2,978	2,971	3,139	3,066	3,156
Less selected cost:	2,220	1,989	1,989	1,989	2,144	2,144	2,144
Return above costs:	1,131	1,050	989	982	995	922	1,012
Farm price (¢/lb.)	49.0	60.0	51.0	45.0	55.0	46.0	44.0

1/Projected variable cash costs per planted acre are \$163.35.

2/Projected variable cash cost per planted acre are \$171.50. A \$15 per acre charge was assumed for set-aside acreage to establish cover.

THE WHITE HOUSE
WASHINGTON

December 14, 1977

The Vice President
Hamilton Jordan
Frank Moore (Les Francis)
Jack Watson
Jim McIntyre
Charles Schultze
Peter Bourne
Zbig Brzezinski

The attached is forwarded to you for your information. The memo will go the President today at 12:00 Noon.

Rick Hutcheson

RE: UPLAND COTTON SET-ASIDE

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
X	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

will go to The Pres at Noon

ACTION
FYI

/	MONDALE
	COSTANZA
	EIZENSTAT
/	JORDAN
	LIPSHUTZ
/	MOORE
	POWELL
/	WATSON
/	McINTYRE
/	SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

	ARAGON
/	BOURNE
/	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE

WASHINGTON

December 14, 1977

MEMORANDUM TO RICK HUTCHESON

FROM: PETER BOURNE *P.B.*

SUBJECT: UPLAND COTTON SET-ASIDE

I support the position of USDA, OMB and DPS favoring a 10% set aside.

PGB:ss

THE WHITE HOUSE
WASHINGTON
December 14, 1977

The Vice President
Stu Eizenstat

The attached was returned in the
President's outbox today and is
forwarded to your information.

Rick Hutcheson

RE: NATIONAL HEALTH INSURANCE

CONFIDENTIAL ATTACHMENT

THE WHITE HOUSE
WASHINGTON

12/13/77

Mr. President:

Congressional Liaison
comment: "We are generally
skeptical about sending up
National Health Insurance
Legislation by March or April
of 1978. Before such a deci-
sion is made, the subject
should be discussed at a
Senior Staff meeting or
similar forum. The call to
Senator Kennedy should be
delayed until after such
a meeting is held."

No other staff comments.

Rick

THE WHITE HOUSE

WASHINGTON

December 12, 1977

~~CONFIDENTIAL~~

Fritz & Stu
J

MEMORANDUM FOR THE PRESIDENT

FROM: PETER BOURNE ^{P.B.}

SUBJECT: NATIONAL HEALTH INSURANCE

National Health Insurance is looming as an issue of steadily increasing consequence to the Administration. I also see in our present course of action the potential for what could be one of the most dramatic and positive historic accomplishments of your Presidency becoming instead a political liability fraught with conflict and at best creating a program of dubious value to the American people.

To avoid this adverse potential I believe you should (a) adhere to the present timetable that calls for the development of legislation by March or April 1978, (b) accept a plan that is relatively comprehensive, and inevitably quite similar to the Kennedy-Corman Bill, (c) become more actively involved yourself in insuring that HEW produces the kind of legislation you want, and does so quickly.

I believe the opposition to National Health Insurance is relatively inelastic. That is, opposition to a conservative, limited plan will be almost as great as opposition to a more comprehensive program. On the other hand the intensity of support will be tied directly to comprehensiveness. I do not believe National Health Insurance can pass without the support of the UAW. They would rather see it go down to defeat than support a bill that did not meet the criteria they have set. This also, as I am sure Doug Frazier has told you, is now the issue for them. They feel they have supported you down the line and have taken considerable criticism for their consistent loyalty to you. Their argument has always been that what they were getting in return was an honoring of the commitment you made to them in the campaign to implement a comprehensive National Health Insurance program. Their leadership argues that their position will be untenable within the organization if you back off on this. While they will not now admit it, they are willing I know, to make certain compromises in their current position, such as acceptance of some role for the private insurance industry in order to accommodate you. Undue delay, or a very restricted plan would not only lose you their support on this issue, but cause a rift with much longer range consequences. In general, though with less intensity the AFL-CIO shares their position.

MEMORANDUM FOR THE PRESIDENT
FROM: PETER BOURNE
SUBJECT: NATIONAL HEALTH INSURANCE

Senator Kennedy, I believe, wants above all else to see some form of National Health Insurance passed in the next three years, and is willing to compromise substantially on his previous proposal to see it happen. I feel he has made a sincere effort to mute his criticism, but he too is now feeling the heat from his own constituency for what they feel is a dereliction of his past forceful leadership role in this area. He is very willing to lend his weight to induce some flexibility in the UAW's position, but only if he feels we are working on a time frame that is rapid enough. He is leaving for China on December 26th, and I would urge you to talk to him before that date about any decision you plan to make on this issue.

I believe that your speech to the Student National Medical Association in April 1976 that we carefully negotiated with the UAW, still provides the best basis for your plan. H.E.W. is laboring over the development of several fundamental policy options which I feel confident you already made up your mind about a very longtime ago. While I do not want to reject totally the need for an orderly process I feel most of it now is geared towards helping Joe Califano to become adequately educated in this area, as much as it is to developing legislation for you in the most expeditious manner. Obviously he needs to become an expert in order to be the lead spokesman for the Administration, but I feel you are paying a political price in terms of the delay, and the implied sense of ambivalence about the priority you attach to National Health Insurance. If you go with the fundamental precepts of the April 1976 speech there are only three major decision areas that need your attention (a) What is to be the role of the private insurance industry, (b) What should be the duration and manner of the phasing, (c) Where would the money come from in terms of the mix between employer/employee contributions and general revenue.

I am aware of the concern about overloading the current legislative agenda, of seeming to be dramatically increasing federal spending, of the potential impact on the economy and of adverse effects on the 1978 elections. In the final analysis it is a political judgement call that only you can make. However, this was one of the most visible promises you made during the campaign, and I believe being perceived as demonstrating strong decisive leadership on this issue will accrue to your benefit, and your image outweighing the negative aspects of these other concerns. We know health care is the one area for which the American people would be willing to have their taxes raised,

MEMORANDUM FOR THE PRESIDENT

FROM: PETER BOURNE

SUBJECT: NATIONAL HEALTH INSURANCE

and I can not believe the negative impact on next year's elections would be more than marginal. In addition, even if passed quickly National Health Insurance would not begin to have any impact on the economy until after 1980.

I urge you to move aggressively on this issue as I feel the gain would be great and the potential political loss for failing to do so would be substantial.

PGB:ss

Source
revised
commit

We are generally skeptical about sending up National Health Insurance Legislation by March or April 1978. Before such a decision is made, the subject should be discussed at a senior staff meeting or similar forum. The call to Senator Kennedy should be delayed until after this meeting is held.

Cong. Liaison

~~Senate Liaison~~
~~(Bob Thomson)~~

Info copies were given to Frank, Stu, Han
(before submitted to Pres.)

THE WHITE HOUSE
WASHINGTON

December 13, 1977

Stu Eizenstat
Hamilton Jordan

Frank Moore

The attached is forwarded to
you for your information.

Rick Hutcheson

RE: NATIONAL HEALTH INSURANCE